A Study of Significance and Benefits of Financial Planning for Budgeting

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Abstract

There have been several changes and advancements in financial markets in the Indian economy in the 21st century. While the Indian economic is on a route to expansion, the accompanying expansion of the financial sector is acknowledged by everyone to continue this path of progress in the financial spectrum. And only if the person is financially instructed is this growth conceivable. Economic literacy has become an increasingly vital pillar for the development of a solid financial system around the globe. In the present day, policymakers, policy regulator, governments and many other institutions have been given serious attention to financial literacy. The researcher afterwards felt that the gap in the examination ought to be filled. India has changed dramatically and without precedent. The liberalization trend began in the early eighties in a limited way. But several years later, the country faced a crisis that originated in an unsustainable exchange policy and budgetary spread, exacerbated by Gulf War economic effects. Thus, India experienced a crisis in the 1990s. However, this issue was faced courageously by speeding up the pace of liberalisation. Financial planning is the way to reach the person's individual and financial goals by improving and using a comprehensive financial plan. In general, financial planning is the arranging of a person's future planning. It involves the development and consolidation of resources for a person's assets so that an individual's financial goals may be achieved within a pre-selected time period. Financial planning is a complex and time-consuming process. Neither individual is explicit in terms of financial planning, as no two persons or their accounts are indistinguishable. Every person has altered the structure, salary, costs, capacity-making, future position, resources, requirements, financial circumstances, information, commitments, etc.

Keywords: *Benefits of Financial Planning, Budgeting, Indian economy, financial markets, financial sector*.

1. INTRODUCTION

Financial planning is nothing but a static notion but a continual dynamic process. The process of financial planning is dizzying since it covers many situations, resource classes, dynamic situations outside, and so forth. Financial planning demands considerable commitment, as a full preparation including a mixture of individual and financial goals. It includes risks for managers (protection), remuneration for managers, pension planning, domain planning, training for young people, and the Board for speculation.

To be wealthy implies to many individuals different things. Some describe riches as being possessed by numerous costly properties and significant revenues. People may think that they are affluent since they don't have to worried that they can pay expenses. For others, being affluent means they can give to their organisations. It also differs how individuals get affluent. Stardom pathways to riches are typical for a successful (or high paying) company. Smooth living and smart investment may, nevertheless, lead to financial stability in the longer run. In recent years, people have found that their lives are not just for money and material goods but also for the quality of their lives. A new focus has been placed on family, friends and others. Most people want to manage their money such that they are completely satisfied with every rupee they have. For that purpose and other financial objectives. First, people must identify and prioritize. Financial and personal fulfilment are the consequence of an organized procedure usually known as personal money management.

2. LITERATURE REVIEW

Drury, C. - Drury, C. (2010) This short question answers the request to study the budget support literature1 (GBS) and Section Budget Support 2 (SBS), used to help development practitioners create and/or manage BS programs.

The study of the literature is intended to be a tool for developing practitioners. This investigation found GBS and SBS-related assessments, research and other knowledge outputs. Documents explicitly aimed at BS or having an important component or insight into BS were included. This question used a hybrid strategy to database searches, follow-up on the necessary document references and contact literature recommendation specialists. Structuring the materials collected was one of the important problems of this examination.

Vani N. N. (2017) Capital Budgeting is the planning of long-term investment-funded financial initiatives from long-term capital resources. Capital budgeting is a decision-making process that supports the assessment and identification of business-benefit initiatives by managers. For managers, this is the most critical job. Capital budgeting assists the corporation in its strategic choices and leads the corporation to take the new product, service and technology into operation. Second, the choices on capital budgets are less flexible and have a long-term influence on the enterprise. Third, improper capital budgeting choices might have catastrophic implications. For example, if an organization devotes too much cash to one project, the money of the firm is invested on excess production capacity needlessly.

Dr. Spoongodi and S.Gowri (2016). The research examined the difference between financial literacy and worker saving/investment. The research consisted of a small sample of 100 people. The technique of easy sampling and the research comprised only willing women. The findings showed that sample women were well educated and were considerably reduced between Rs. 15 000 and 20 000 per month. The findings showed The women knew conventional ways to save/invest, but they deliberately directed their resources from traditional routes to contemporary, technically riskier operations of the capital market, such investments in mutual funds, shares, bonds and bonds, either public or private. In addition, women did not find that their gold or silver savings had been limited to real estate, art and passion investments.

Taofik Hidajat (2015) aimed at examining Indonesia fishers' personal financial literacy and examining the link between household and financial literacy. The data for this research were collected in 2014 using questionnaires that were appropriately distributed in Brebes, Tegal and Pekalongan, Central Java, Indonesia to a sample of fisherman aged from 25 to 50 years. Financial literacy and family saving were the factors considered in the research. The sample size research of 258 revealed that financial literacy was associated favorably to household economies. 85% of fisherman were analphabets and did not have a savings account. This conclusion is worrying because fisherman cannot benefit from the revenue they make to save and invest further because of the poor degree of financial awareness.

Kengatharan, L. (2006) has conducted an extensive study on the practices that have followed throughout the globe in the previous two decades, namely from 1993 to 2013, in his research "Capital Budgeting Theory and Practice: a Review and Agenda for Future Research." In the past two decades, he has conducted a deep examination and analysis of the study on the theory and practice of capital budgeting. This study also sheds information on the future research agenda in this area. Practices in Indian Capital Budgeting He stated that certain advancements in the usage of sophisticated capital budgeting procedures had been made. However, between theory and practice, there is still a gap. The actual practices of capital budgeting are influenced by many factors, such as the effect of the country, government control, technological developments, the structure of the market, the country accounting and taxation system, organizational structure and standards, political factors, the CFO's skills and position, etc.

3. PERSONAL FINANCE PLANNING

Personal financing is the practice of managing the money of an individual for personal economic happiness. This approach enables a person to experience his financial circumstances. Every individual, family or household has a unique financial condition and so every financial action should be carefully planned to fulfil personal requirements and objectives. By lowering the uncertainty about his/her future wants and resources, a thorough financial plan might improve a human life's qualité and enjoyment. Individual financial planning has particular benefits.

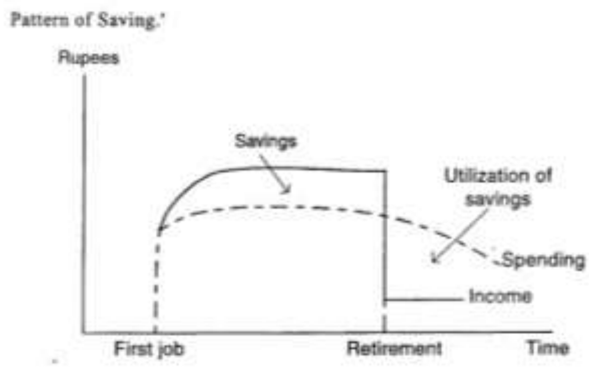


Figure 1; The life cycle Pattern of saving

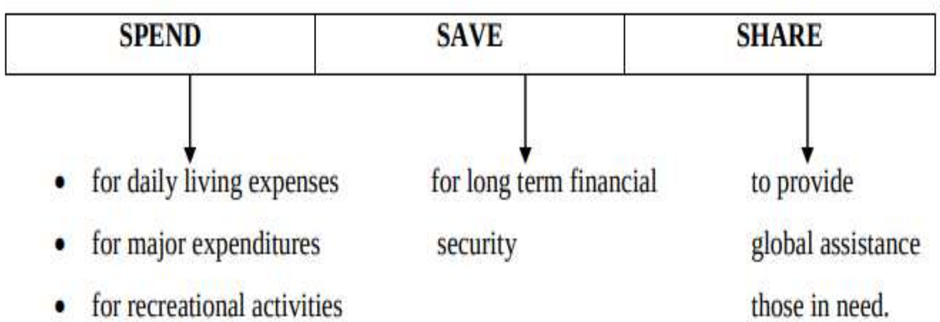
a) Increased efficiency throughout his lifetime in the achievement, use and protection of his financial resources.

b) Increased control over his financial concerns by avoiding excessive debt, insolvency and economic security dependency on others.

c) improved personal connection as a consequence of well-planned financial choices that are properly conveyed.

d) a feeling of free financial concern via a future perspective, anticipation of expenditure and the achievement of personal economic objectives. Every day, people decide hundreds. Most of these options are quite easy and have little impact. Some are straightforward and have little impact. Some of them are complicated and affect their financial and personal circumstances on a long-term basis. Three key decision areas covering personal finances are shown in Figure 2 below.

Figure 2: Three key decision areas covering personal finances



4. FINANCIAL PLANNING PROCESS - INDIVIDUALS

While everyone makes decisions only few individuals consider how to make better decisions. It involves six steps which are elaborated below.

Step 1: Determine current financial situation: - In the first step, an individual has to determine his current financial situation regarding income, savings, living expenses and debts. Preparing a list of amounts spent for various items will give him a foundation for financial planning activities.

Step 2: Develop Financial Goals: – several times a year, an individual should analyse his financial values and goals. This activity involves identifying how he feel about money any why he feels that way. Are his feelings about money based on social pressures, household needs, or desires for luxury items? How will economic conditions affect his goals and priorities? The purpose of this analysis is to differentiate an individual ‘s needs from his wants. Specific financial goals are vital to finance planning. Comparing others, an individual must decide which goal to pursue.

Step 3: Identify alternative course of action: - It is vital to develop options for decision-making. For successful selections, creativity in decision making is crucial. Taking all available options into account can help a person make judgments that are more productive and fulfilling. Most individuals think, for example, they have to have a vehicle to go to work. Other possibilities, such as public transport, carpooling, vehicle rental and auto rental, should be taken into account. If a person decides not to act, he chooses to do nothing that is a perilous option..

Step 4: Evaluate alternatives: - An individual must assess various actions, taking into account his/her living situations, personal values and economic circumstances. How does the ages of employees effect your savings objectives? How do you prefer spending your time? How are interest rate fluctuations going to effect its financial situation? The choices are closed in each choice. A choice to invest in stock, for example, may not result in a holiday at Hill Station. The cost of opportunities is a significant consideration for choosing. This cost may not necessarily be defined in rupees, generally referred to as the trade-off of a choice. It might relate to the money a person forgets when he or she buys an LED TV rather than a stock, but it can also refer to the amount of time he or she takes to research brands and their features and the price. In either instance, a person's resources suffer a loss of worth. Decision-making is a permanent aspect of the personal and financial condition of an individual. Since decision-making varies depending on the status and worth of each 4 individual, the cost of opportunity will alter.

Any choice includes uncertainty. The selection of a certain automobile brand (or) plans (or options) for reciprocal funds to be selected is risk. Some choices have relatively modest risk, for example placing money on a savings insurance account or buying products that only cost a few hundred rupees. In these scenarios there is little likelihood of losing anything of significant worth. Risk identification and assessment is tough in many financial choices. Risk consideration is best done by collecting information based on the own experience and experience of others and using sources of knowledge on financial planning. The main hazards involved in decision-making were: Rate of interest on inflation risk Income of risk, staff risk, liquidity of risk.

Step 5: Create and Implement the Financial Plan: - It consists of formulating an action plan to identify means of achieving the objectives of a person. For example, by cutting his expenditure or raising his income by spending more time on employment he may raise his savings. A person may require help from others to accomplish a financial action plan. For instance, he may utilize an insurance agent's services to acquire a policy or investment broker's services to buy stocks, bonds or mutual funds..

Step 6: Review and Revise the plan: - Financial planning is a dynamic process which does not terminate if a person acts. His financial actions must be evaluated constantly. At least once a year, he should do a full evaluation of his accounts. More regular evaluations may be needed in changing personal, societal and economic conditions. This approach of financial planning provides for responding to these modifications while life events impact on its financial demands. Reviewing these decisions on a regular basis – the decision-making process will enable him make priority changes, in accordance with his present circumstances with his financial objectives and activities. Figure 3 provides a simple overview of the previously mentioned phases in financial planning.

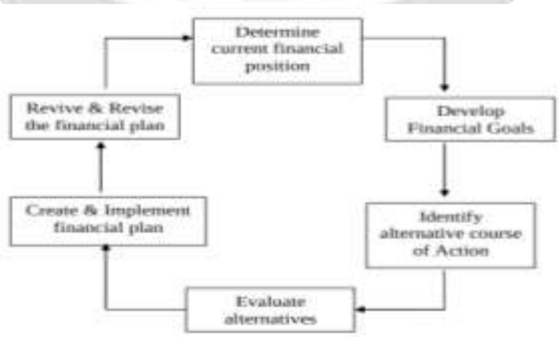


Figure 3 steps in personal financial planning

5. FINANCIAL PLANNING PROCESS - BUSINESS

Financial planning is the responsibility to determine how a company can fulfill its strategic objectives. Normally, when a vision and targets are determined, a corporation produces a Financial Plan. Each of its tasks, resources, equipment and supplies is described in the Financial Plan, as well as the time period. Identify the existing financial situation Development of financial objectives Identify alternate action path Assess alternatives Check the financial plan and revise it Financial Plan Create & Implement 6 The following responsibilities are included in financial planning:

i. Assess the business environment

ii. Confirm the business vision and objectives

iii. Identify the types of resources needed to achieve these objectives

iv. Quantify the amount of resource (labor, equipment, materials)

v. Calculate the total cost of each type of resource

vi. Summarize the costs to create a budget

vii. Identifying any risks and issues with the budget set Performing Financial Planning is critical to the success of any organization.

It rigorously ensures that the business plan confirms that the established goals are financially attainable. It also supports the CEO in establishing financial aims for the business and enhances the staff's budgetary goals. There are three kinds of financial planning:

1. Strategic role of financial management:
2. Objectives of financial management:
3. The planning cycle

6. FINANCIAL PLANNING, INVESTMENT AND SAVING

Savings were considered as one of the main variables determining economic growth in developing nations where agriculture retains a vital role. But overall the perception is that there is a strong marginal propensity for consumption among Indians. However, because of lack of solid data on the Indian income, spending and saving behavior, the perception was not scientifically examined and confirmed. Economic developments and growth funding are needed in emerging nations such as India. This is the right way to handle cash. The two goals of financial management-liquidity and profitability are 15 taken into account in planning cash management. In order to satisfy commitments in good time, a huge cash reserve might be wastage and may be better used elsewhere. The cash balance has to be sufficient. In order to achieve the fundamental demands of the human being, all citizens take part in different activities based on the availability of the knowledge of the finances and the practicality of returning from the activities. When the fundamental needs have been met, it is maintained as the savings that may be used for the future needs. There will be no return from the save if the person's savings are stored in the house or locker. If savings are invested outside, sufficient revenues may be earned instead of leaving them idle without revenue.

Therefore everyone tries to invest the saved cash in different investment characteristics to get maximum returns. Income, sales and investment are the three elements that measure economic growth. While investment is the only component in economic progress, savings provide the base for investment. Savings seem to be a critical variable showing the economic unit's ability or desire to renounce present spending by channelling the capital creation resource pass. Investment involves sacrificing, in its widest definition, a specific value for the future (potentially undetermined). It entitles you to make several selections on investing, such as kind, mix, volume, timing, grade, etc.

7. IMPORTANCE OF FINANCIAL PLANNING

Fixed bank deposits account for about 70% of household savings. In the last decade the ratio has scarcely altered little. Still today a relatively small part of society prefers investing in stocks and corporate bonds. The main cause is lack of knowledge and sufficient counseling on such a course of investing. Even if information and advice were accessible, the same had nothing to do in most circumstances with the investor's interest. Brokers and corporate channels have no repute for delivering small investors 'honest counsel.' As a result, many investors stayed away from the stock markets, because of collapses on the market. But a new generation of investors are enjoying real success. Once solely reserved to institutions, ordinary investors were made even more accessible to commodities like gold.

There are, in fact, some investors who have also sought to invest in oil and metals. Unfortunately, here again it's the 'accessible' aspect that drives investment interest rather than the 'knowledge' aspect. The declaration leads to a study of people' financial planning. Financial planning consists of the process of defining the financial operations of the company's goals, politics, processes, programmes, and budgets. This guarantees that financial and investment policies are effective and sufficient. The significance may be described;

1. Adequate funds have to be ensured.
2. Financial Planning helps in ensuring a reasonable balance between outflow and inflow of funds so that stability is maintained.
3. Financial Planning ensures that the suppliers of funds are easily investing in companies which exercise financial planning.
4. Financial Planning helps in making growth and expansion programmes which helps in long-run survival of the company.
5. Financial Planning reduces uncertainties with regards to changing market trends which can be faced easily through enough funds.

Financial planning helps to reduce the uncertainties that might hamper the company's development. This contributes to guaranteeing stability and profitability.

8. FINANCIAL PLANNING AND INVESTMENT CLIMATE IN INDIA

While India's growth continues to be one of the world's greatest, many things have pulled it down. It is concerning that, because of the worries about governance and political instability, the economy has slowed down more than most other rising countries. Almost all leading economic indices saw the domestic picture decelerate. Real GDP growth was considerably influenced during this period. Real GDP growth was 6.5% for 2011 – 12%, compared with 8.5% for 2010 – 2001 and 8% for 2009 – 2010, and 13% for real GDP growth for 2012 – 2012 – 5.5%. Due to the decreasing economic prospects, several top agencies have downgraded India's growth prediction. RBI's 2012 growth forecast was cut downwards — between 13 and 6.5%.

CRISIL assessed that the credit rating agency was around 5.5%. India's investment scenario was becoming worse and worse. The problem of anticipating results, governance, global uncertainty, higher finance costs and 20 structural rigidities have all been involved in this very unpredictable economic climate. Gross domestic capital creation was stagnating year after year as a proportion of GDP. The ratio in 2011 was 35% – 12% compared with 38% in 2007 – 08%. Furthermore, the increasing global aversion to risk has curtailed capital flows. This shows that the FD1 investment was considerably affected by (-) 41 percent of severe degrowth in April 2013 compared to strong growth in 2011-12 of 88%.

9. CONCLUSION

A thorough analysis of empirical data shows that the levels of financial literacy in the various countries, regardless of the developmental stage of the country, are quite low. There have also been several research which show a connection between financial literacy and several demographic characteristics. The research described here indicates a poor degree of financial literacy and a poor level of financial education or knowledge that impact the capacity of the person in making conservative investments to maintain and continue the responsible financial behaviour. As such, the benefits of being financially knowledgeable and being capable of smart saving and investing choices are not just for individuals or households, but also for society and macroeconomics. In addition, some writers emphasise financial abilities, which are essential for a productive and healthy life, and are able to administer money related choices. The researchers have found that relatively few studies have so far been done in the field of household savings and investing behaviors connected to finance literacy via a comprehensive evaluation of the literature. The objective of this study is to analyze the financial literacy levels and its link to determining factors, household savings and investment based on the research gap. Corporate companies spend substantial amounts on the budgeting of capital. Almost 50% of the surveyed enterprises spend Rs 500 to Rs 1000 crore annually. Long-term investment is significant for facilitating the corporate housing growth project. As the economy grows, corporate companies have better prospects of increasing their market share and sales volume. It has a key role to play in capital budgeting. The final decision-making power for the budgeting of capital is mostly allocated to the director and managing director. The decision-making and analytical parts of capital budgeting have progressively been shifted from the typical chamber of CFOs to the strategic business unit.

Some findings are offered as follows based on the data analysis. With regard to respondents' demographic and socioeconomic profile and financial education levels, one may come to the conclusion that men have a high financial literacy level compared to women. Aslo people have a lower degree of financial literacy on the basis of two ages, 51-55 years and 31-35 years of age. Study demonstrates that the respondents belonging to the lower income group had a lower degree of financial literacy, based on their monthly income group. It is also established that individuals with more years of investment experience have a better degree of financial literacy, and those who make maximum queries during investment have a comparably low degree of financial literacy. As individuals with the greatest risk-taking ability have a low degree of financial literacy may deduce the risk tolerance of the person analysis.

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